

Press Release

Krishna Traders

May 26, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	ACUITE BBB- Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	55.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	58.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.58.00 Cr bank facilities of Krishna Traders (KT). The outlook is revised to '**Stable**' from '**Negative**'.

Rationale for revision in Outlook

The revision in the outlook is driven by increase in operating income in FY2021 followed by sustainability in the same in FY2022. Further, the outlook is revised to stable on account of having good orders in hand of Rs.150-200 Crores showing revenue visibility over medium term and with efficient working capital management & improvement in financial risk profile.

About the Company

Krishna Traders was incorporated in the year 1953, as a proprietorship concern by Mr. Late Netai Mohan Saha. Later, in the year 1996, it was reconstituted as a partnership firm. Company based in Kolkata. The company is engaged in trading of food grains, paper and paper products, raw cotton, onion, chili, chemicals and spices. The firm became an export house in the year 1979 and since 1986 the firm is a 3 star export house with exports to Bangladesh, China, Sri Lanka, Myanmar and Nigeria. The day to day operations are managed by the current partners-Mr. Debashish Sah, Mr.Shekhar Saha and Mr.Tapan Mohan Saha.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of KT to arrive at this rating.

Key Rating Drivers

Strengths

>Established track record of operation and experienced management

Established in the year 1953, KT has a long track record of over six decades in the trading business. The long track record of the firm has resulted in developing an established market position in Eastern India backed by diversified product profile where it trades in nearly 50 items with major sales from food grains, paper and paper products, raw cotton, onion, chili, chemicals, and spices. The long track record of operation has further enabled the firm to build a long standing relationship with customers and suppliers. The customer base includes traders, distributors and government departments.

Acuite expects the business risk profile to remain healthy backed by experienced management, established relationship with customers and strong PAN India based procurement channels.

>Efficient Working capital Management

The working capital management of the company is efficient marked by GCA days of 50 days in FY2021 as against 70 days in FY2020. Also, the debtor days stood at 28 days in FY2021 as against 30 days in FY2020 which is line with the credit period allowed to customers of 20-35 days and the creditor days stood at 28 days in FY2021 as against 32 days in FY2020 which is line with the credit period allowed by suppliers of 15-30 days. However, the inventory days stood at 6 days in FY2021 as against 19 days in FY2020.

Acuite expects the working capital management to remain efficient over the medium term on account of low inventory holding period.

Weaknesses

>Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by stable net worth, moderate gearing and moderate debt protection metrics. The tangible net worth stood at Rs.21.73 crore as on 31 March, 2021 as against Rs.21.77 crore as on 31 March, 2020. The total debt of the company stood at Rs.25.27 crore includes Rs.0.09 crore of long term debt and Rs.25.18 crore of short term debt as on 31 March, 2021. The gearing (debt-equity) stood at 1.16 times as on 31 March, 2021 as compared to 1.02 times as on 31 March, 2020. Interest Coverage Ratio stood at 1.99 times for FY2021 as against 1.49 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.64 times in FY2021 as against 1.32 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.22 times as on 31 March, 2021 as against 2.45 times on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 2.04 times for FY2021.

Acuite believes the financial risk profile of the firm will continue to remain moderate on account of its moderate cash accruals and no major debt funded capex in near to medium term.

Rating Sensitivities

- Scaling up of operation while improving the profitability margin.
- Significant improvement in the EBITDA level, thereby resulting above moderate financial risk Profile

Material covenants

None.

Liquidity Position: Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals. The company has net cash accruals in the range of Rs.1.24-2.04 Crore from FY 2019-2021. Also, the company has a sufficient cash accruals of Rs.2.36-2.93 crores over the medium term. The working capital management of the company is efficient marked by GCA days of 50 days in FY2021 as against 70 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.2.34 crore as on March 31, 2021. The current ratio stands at 1.23 times as on March 31, 2021. The overall bank limit utilization for the past 6 months ending March 2022 is ~

84.30 percent.

Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accruals against nil maturing debt obligations.

Outlook: Stable

Acuité has revised the outlook to '**Stable**' from '**Negative**' due to increase in operating income in FY2021 followed by sustainability in operating income in FY2022. The outlook may be revised to 'Positive' if the company reports significant improvement in revenue and scale of operations while maintaining operating profitability, leading to higher cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile or higher than expected working capital borrowings.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	386.71	416.78
PAT	Rs. Cr.	2.48	1.97
PAT Margin	(%)	0.64	0.47
Total Debt/Tangible Net Worth	Times	2.04	1.16
PBDIT/Interest	Times	2.20	1.99

Status of non-cooperation with previous CRA (if applicable)

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Mar 2021	Cash Credit	Long Term	1.00	ACUITE BBB- Negative (Reaffirmed)
	Packing Credit	Short Term	7.50	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	7.50	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	16.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Packing Credit	Short Term	12.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A3 (Assigned)
	Packing Credit	Short Term	12.00	ACUITE A3 (Assigned)

18 Feb 2019	Packing Credit	Short Term	11.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	9.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	1.50	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3 Reaffirmed
Union Bank of India	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A3 Reaffirmed
ICICI Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB- Stable Reaffirmed Negative to Stable
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3 Reaffirmed
ICICI Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- Stable Reaffirmed Negative to Stable

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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